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SUBJECT: LEFT SHAKES DOWN CONGRESS USING ITS COALITION
LEVERAGE

Classified By: A/DCM-Geoff Pyatt for reasons 1.4 (B, D)

1. (C) SUMMARY: The Indian Left, led by the CPI(M), has been on a political roll. It has pressured the UPA government to forestall disinvestiture plans, to sack a Cabinet minister and to support economically-unsound programs such as the "National Rural Employment Guarantee Bill" (septel). Pundits have begun to wonder if the UPA's, and more specifically, Prime Minister Singh's globalization and economic reform efforts have become a victim of the Left's growing influence. In a recent interview, however, the PM firmly reaffirmed his commitment to globalization and his reform agenda and struck back at the Left. The PM has criticized the doctrinal dichotomy between the business-friendly "communists" ruling West Bengal and the die-hard ideologues in Delhi. While this inconsistency may merely be a reflection of the old adage that "all politics is local", it also reflects the Left's general political strategy of setting itself up to beat Congress in local elections in West Bengal and Kerala in 2006. Congress' continued reliance upon the Left's support from the outside is exemplified by the PM's statement that "a politician before he can become a statesman has to remain in office long enough--so we have to make those compromises." We will undoubtedly see both Congress and the Left clamoring to claim credit for passage of the "National Rural Employment Guarantee Bill" as they seek to ingratiate themselves to the vote-rich rural poor. At the same time the government seeks to implement economic reforms, they will have to adjust to the fits and starts leveraged against them by to their uncooperative Left coalition partner.
End summary.

Red Storm Rising

2. (U) As the summer of 2005 waned, the Indian Left, led by the new generation CPI(M) appeared to be on an influential political roll. In early August, the Left first pressured the UPA government to forestall the disinvestiture of Bharat Heavy Electricals Ltd (BHEL) and Maruti Udyog Ltd (MUL). This was followed by the sacking, at the Left's insistence, of Cabinet Minister Tytler following the release of the Nanavanti Commission report on the anti-Sikh riots. And, most recently, the passage of the "National Rural Employment Guarantee Bill" was viewed by some as yet another political victory for the Left, despite being the brainchild of Congress Party stalwarts. Pundits were left wondering if the UPA had become vulnerable to the Left's growing influence.

PM Strikes Back

3. (U) In a key interview with "McKinsey Quarterly Journal" (MQJ) on 25 August, however, the PM abandoned his normal non-confrontational style and fired broadsides at the Left as he reaffirmed his commitment to globalization and his reform agenda. The PM praised Buddhadeb Bhattacharjee's communist government in West Bengal, highlighting the doctrinal dichotomy between the pragmatic, business-minded communists in Kolkata and the party dinosaurs in Delhi. The PM made a strong argument for labor reform, but added "we don't have the broad-based consensus in our coalition for me to assert that I can move forward in a big way." While the Left in Delhi has opposed every UPA attempt at labor market reform, public sector divestment and foreign investment, the Left in West Bengal has embraced these measures--much to West Bengal's economic benefit.

Coalition Realpolitik

4. (U) Political observers note that this doctrinal dichotomy between the Left's political center (Delhi) and its regional power base in West Bengal merely reflects the old adage that "all politics is local". The Left's prize over the horizon is the Kerala and West Bengal state elections slated for February 2006, where the communists will be in direct competition with Congress. In order to avoid becoming a subset of the Congress-led UPA government at the national level, the center must maintain its "opposition" mantle. Yet, to stimulate its base at the state level, the Left must obtain economic results. In essence, the center has the luxury of ideological purity over the practical problems of governance faced by the local governments. For its part, and

in realization of the realpolitik involved with coalition partnerships, Congress not only must indulge the Left's support from the outside but must also watch for the threat of a "Third Front", i.e., a Left-BJP or Left-regional parties grouping, which for now remains highly unlikely. With an eye to his legacy, the PM has apparently recognized this realpolitik as he was quoted in the McKinsey article as noting that "a politician before he can become a statesman has to remain in office long enough--so we have to make those compromises."

Playing to the Masses

15. (C) With the recent passage of the "National Rural Employment Guarantee Bill" (septel), we will undoubtedly see both Congress and the Left clamoring to claim credit for its passage as the parties seek to ingratiate themselves with the rural poor. Moreover, while the Congress-led UPA government and the PM will continue to seek to implement their globalization and economic reforms, they will continually have to adjust to the fits and starts leveraged against them by the Left. As the PM observed, "one must understand that economic policy and decision-making do not function in a political vacuum." The cost of this coalition management in the short-term is as usual borne by the Indian tax-payer, who must pay for costly and economically unjustifiable expedencies like the jobs bill.

MULFORD